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TREASURY FOR OASIA/ISA - DOHNER/CUSHMAN

STATE PASS USTR FOR STRATFORD, WINTER, ALTBACH
STATE PASS CEA FOR BLOCK
STATE PASS FEDERAL RESERVE BOARD FOR JOHNSON/SCHINDLER; SAN
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SUBJECT: LAND COMPENSATION REGULATIONS FOR WATER PROJECTS
MIRED IN CENTER-PROVINCE RIFT

CLASSIFIED BY: ACTING MINISTER COUNSELOR FOR ECONOMIC AFFAIRS CHRISTOPH
ER BEEDE; REASON 1.4(B) AND (D)

SUMMARY

11. (C) EMBASSY CONTACTS QUESTION WHETHER REVISED REGULATIONS
ON COMPENSATION STANDARDS FOR LAND THAT IS EXPROPRIATED FOR
DAM CONSTRUCTION WILL BE IMPLEMENTED IN SUCH A WAY AS TO MEET
THE CENTRAL GOVERNMENT'S OBJECTIVE OF CREATING A NATIONAL
STANDARD. INSTEAD, OUR CONTACTS BELIEVE THAT PROVINCIAL AND
LOCAL GOVERNMENTS WILL CONTINUE TO ABUSE THEIR AUTHORITY, AND
THAT, AS IN OTHER CASES, FARMERS IN THE PROVINCES WILL NOT
BENEFIT FROM NEW BEIJING INITIATIVES BUT WILL CONTINUE TO BE
OFFERED UNFAIR COMPENSATION FOR THEIR LAND. END SUMMARY.

DRAWING ATTENTION TO A BIG PROBLEM

12. (U) REVISED REGULATIONS COVERING BOTH COMPENSATION
STANDARDS FOR LAND REQUISITION AND PAYMENTS TO FARMERS FORCED
TO RESETTLE DUE TO WATER AND HYDROPOWER PROJECT CONSTRUCTION
WERE ANNOUNCED BY THE STATE COUNCIL IN AUGUST AND TOOK EFFECT
ON SEPTEMBER 1. ACCORDING TO REPORTS, FARMERS WILL RECEIVE
HIGHER COMPENSATION IF THE STATE CONFISCATES THEIR LAND TO
CONSTRUCT WATER CONSERVANCY OR HYDROPOWER PROJECTS. THE
REVISED REGULATIONS WILL PROVIDE RESETTLEMENT SUBSIDIES TO
FARMERS EQUAL TO SIXTEEN TIMES THEIR AVERAGE ANNUAL OUTPUT
VALUE OF THE PRECEDING THREE YEARS. STATE-CONTROLLED MEDIA
CLAIMED THE NEW REGULATIONS WOULD MORE THAN DOUBLE THE
AVERAGE SUBSIDY TO FARMERS WHO LOSE THEIR LAND FROM WATER
PROJECTS.

13. (U) ACCORDING TO THE XINHUA NEW CHINA NEWS AGENCY, THE NEW

REGULATIONS SEEK TO ADDRESS THE PROBLEM OF UNEVEN COMPENSATION WHILE ALSO RAISING THE STANDARD. THE CENTRAL GOVERNMENT WILL INCREASE THE ELECTRICITY TARIFF, IN PART TO FUND RESETTLEMENTS DUE TO DISLOCATIONS FROM HYDROPOWER PROJECTS. REPORTS ESTIMATE THAT AS MANY AS 22 MILLION AFFECTED PEOPLE WOULD RECEIVE THE HIGHER COMPENSATION, THEREBY ALLEVIATING A SIGNIFICANT SOCIAL STABILITY CONCERN, ACCORDING TO XINHUA.

COMPENSATION STREAM COULD BE A POSITIVE FLOW...

14. (C) LI PING, STAFF ATTORNEY AT THE RURAL DEVELOPMENT INSTITUTE IN BEIJING, OFFERED CAUTIOUS OPTIMISM ON THE CENTRAL GOVERNMENT'S EFFORT TO STANDARDIZE COMPENSATION FOR RESETTLEMENT. HE SAID THAT GIVEN THE LARGE NUMBER OF FARMER RESETTLEMENTS DUE TO WATER CONSERVANCY OR HYDROPOWER PROJECTS, THE REVISED REGULATIONS ARE GOOD NEWS FOR FARMERS. THE NEW COMPENSATION STANDARD AT SIXTEEN TIMES ANNUAL INCOME IS SIGNIFICANTLY HIGHER THAN THE TWO TO THREE TIMES ANNUAL INCOME THAT LOCAL GOVERNMENTS OFTEN GIVE IN PRACTICE. LI NOTED, HOWEVER, THAT THE NEW STANDARD FALLS SHORT OF THE MAXIMUM 30 TIMES AVERAGE ANNUAL INCOME ALLOWED UNDER THE LAND MANAGEMENT LAW, AND HE QUESTIONED HOW THE NEW REGULATIONS WOULD BE ENFORCED AT LOCAL LEVELS.

...BUT IN THE PROVINCES, THAT SINKING FEELING

15. (C) YU MEISUN, A BEIJING-BASED ATTORNEY WHO OFTEN REPRESENTS FARMERS IN LAND EXPROPRIATION CASES, STATED THAT HE DOES NOT BELIEVE THE REVISED REGULATIONS WILL BE EFFECTIVE. YU, WHO PREVIOUSLY PROVIDED LEGAL COUNSEL TO FARMERS INVOLVED IN HIGH-PROFILE LAND CASES IN DINGZHOU, HEBEI PROVINCE AND SHANWEI, GUANGDONG PROVINCE IN 2005, SAID THAT LOCAL OFFICIALS WILL IGNORE THE CENTRAL GOVERNMENT DIRECTIVE AND CONTINUE TO PROVIDE SUB-STANDARD COMPENSATION. CENTRAL GOVERNMENT REGULATIONS ARE NOTHING MORE THAN "PIECES OF TRASH" TO LOCAL OFFICIALS, HE STATED, AND LIKE OTHER BEIJING INITIATIVES, THE REVISED COMPENSATION STANDARD WILL FAIL TO GAIN TRACTION IN THE PROVINCES.

LOOKING DOWNSTREAM: NATIONAL STANDARD TOUGH TO MEET

16. (C) JIA HUAQIANG, A PROFESSOR AT THE CENTRAL PARTY SCHOOL, AGREED WITH BOTH LI AND YU. AN EXPERT ON SUSTAINABLE DEVELOPMENT, JIA NOTED THAT AN IMPROVED COMPENSATION STANDARD

FOR LAND THAT IS CONFISCATED FOR WATER AND HYDROPOWER PROJECTS IS NECESSARY FOR THE FUTURE OF CHINA'S ECONOMIC DEVELOPMENT. A LOW STANDARD WOULD ENCOURAGE LOCAL GOVERNMENTS TO LAUNCH MORE RECKLESS LARGE-SCALE DEVELOPMENT PROJECTS AND FURTHER THREATEN SOCIAL STABILITY BY INCREASING THE NUMBER OF DISENFRANCHISED FARMERS IN THE COUNTRYSIDE.

17. (C) JIA STATED, HOWEVER, THAT DIFFERING VIEWS EXIST BETWEEN LOCALITIES ON THE REVISED REGULATION. IT IS NOT CLEAR, HE SAID, WHETHER OR NOT LOCAL GOVERNMENTS WILL ABIDE BY THE REGULATIONS. IN GENERAL, JIA SAID, MANY LOCAL GOVERNMENTS AIM TO RESIST WHAT THEY VIEW TO BE CENTRAL GOVERNMENT INTERFERENCE IN LOCAL AFFAIRS, MAKING IT LESS LIKELY THAT LOCAL OFFICIALS WILL ENFORCE THE NEW COMPENSATION STANDARD.

18. (C) ZHANG JUN AT THE CHINA ACADEMY OF SOCIAL SCIENCES (CASS) AGREED THAT A NATIONAL COMPENSATION STANDARD WOULD BE DIFFICULT TO ACHIEVE DUE TO REGIONAL ECONOMIC DIFFERENCES AND LOCAL GOVERNMENT ATTITUDES TOWARDS CENTRAL GOVERNMENT INITIATIVES. HE ALSO NOTED THAT PROVIDING COMPENSATION NEAR URBAN AREAS OFTEN IS EASIER BECAUSE THE COMPENSATION CAN INCLUDE AN URBAN HUKOU REGISTRATION OR EMPLOYMENT OPPORTUNITIES IN THE CITY, BUT WATER PROJECTS ARE THE MOST PROBLEMATIC FOR COMPENSATION BECAUSE LAND FOR THE PROJECTS OFTEN IS CONFISCATED IN REMOTE RURAL AREAS.

